

# Members First Credit Union Annual Report 2020

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## **DIRECTORS**

Sabra Morlan, Chairman (2022)  
Yolanda Lozano, Vice-Chairman (2023)  
Roman Almaguer, Secretary/Treasurer (2021)  
Mark Kulwicki (2021)  
Hector Garcia (2021)  
Manuel Esquivel III (2023)  
Samuel Shores (2022)

## **MANAGEMENT**

Greg Fair, Chief Executive Officer  
Wanda Muessel, Chief Operations Officer  
Belinda Reeves, Member Service Manager  
Eric Flores, Consumer Loan Manager  
Debra Garza, Mortgage Loan Manager  
Brenda Collins, Harlingen Branch Manager  
Paul Besse, Accounting Manager  
Blake Kemmis, IT Manager  
Vanessa Vera, Collections Manager  
Rachael Storr, Marketing Director  
Adriana Crisp, Human Resources Manager

# **AGENDA**

Welcome – Sabra Morlan, Chairman

Invocation

Determination of a Quorum

Introduction of Directors

Minutes of the Previous Meeting

Election of Directors: Rules and Nominations

Reports:

Treasurer – Roman Almaguer

Chairman – Sabra Morlan

CEO - Greg Fair

Unfinished Business

New Business

Election of Directors: Results

Adjournment

**MINUTES**

**81<sup>st</sup> ANNUAL MEMBERSHIP MEETING**  
**February 25, 2020**

The 81<sup>st</sup> Annual Membership Meeting of Members First Credit Union was held on Tuesday, February 25, 2020 at the main office located at 5444 S. Staples, Corpus Christi, Texas.

Chairman of the Board Manuel Esquivel III welcomed members and brought the meeting to order at 5:56 p.m.

40 verified members registered for the meeting. The Chairman certified that a quorum was present and declared it a legal meeting.

The Chairman introduced the Board of Directors: Manuel Esquivel III (Chairman), Samuel Shores (Vice Chairman), Roman Almaguer (Secretary/Treasurer), Mark Kulwicki, Hector Garcia, Yolanda Lozano, and Sabra Morlan.

The Chairman stated the board met for 12 regular monthly meetings in 2019 and 2 special meetings.

Secretary/Treasurer Roman Almaguer noted a copy of the minutes of the 80<sup>th</sup> Annual Meeting was provided in the 2019 Annual Report and asked for a motion to dispense with the reading and accept them as written.

MOTION by Blake Kemmis, second by Debra Garza to accept the minutes as written. MOTION CARRIED.

**REPORT OF TREASURER**

Roman Almaguer reported that in 2019 the credit union had moderate growth with excellent financial strengthening. The year ended with \$130,672,860 in total assets and 11,894 members. Deposits grew a modest 0.9% while loans increased 4.5% due to \$22,462,961 in new loans, the highest in the last 3 years. Net income was one of the best years ever at \$2,115,509. This was achieved due to higher interest income, lower loan losses, and a net operating expense ratio of 1.42%, about 60% of what our peers operate at. Our capital to asset ratio increased to 21.87% placing us in the top 1% of credit unions. Active members, seen by checking accounts, check cards, credit cards, online users, and mobile/web users increased by 3%. The Treasurer concluded that we continue to grow and are one of the safest institutions to be a member of.

MOTION by Rachael Storr, second by Blake Kemmis, approving the Treasurer's Report as written. MOTION CARRIED.

## **REPORT OF CHAIRMAN OF THE BOARD**

Manuel Esquivel III reflected that the credit union is a not-for-profit, member owned, and member directed credit union. We began as an alternative to banks where every member has an equal vote and a voice in our operations. Where other institutions are focused on profits to stockholders, we are focused on helping our members with their finances. We have been in operation since 1938 and although our products and service have changed, our goals have not. We want to offer members a safe place to save and handle their financial business. We want to be a knowledgeable resource whether buying a car or keeping member data secure. We want to provide a better alternative in financing a home or if it just needs repairs. We want to offer the latest in convenience and for members to have easy access to their funds. Every service has a cost but we want to provide as many free services as possible, the lowest fees when necessary, and rates that are as competitive as anyone can find. 2019 was a success in all these areas, we were able to have the highest profitability in many years, our capital is 3 times what is considered a well-capitalized credit union, and member accounts continue to grow.

## **REPORT OF THE CEO**

Greg Fair shared a number of little known facts concerning the financial industry and their products. Information provided included millennial views on banking, ATMs, currency data, and counterfeiting. Mr. Fair then hit the key points about what sets credit unions apart from their competition including profits stay in the credit union, the board is comprised of unpaid volunteers, and accountholders are member/owners not customers. He reflected that if people really understood these little known facts, they would mainly deal with credit unions since they would realize they have a vested interest in a better future for the credit union. For Members First, our high degree of profitability and high capital reflect that we are better positioned to return our profits in the form of lower fees, better rates, improved services, and to be more competitive than ever before. He reminded everyone to never stop pointing out what makes us a credit union and how these facts set us apart from our competition.

## **UNFINISHED BUSINESS**

None

## **NEW BUSINESS**

None

## **NOMINATING COMMITTEE**

The Chairman appointed Sabra Morlan, Roman Almaguer, and Mark Kulwicki to the nominating committee in September of 2019. The committee was charged with nominating two or more candidates for two 3 year terms expiring in 2020 (according to Credit Union guidelines, each member must be willing to serve, have an appropriate credit history, donate time and effort for the Credit Union's future, and be a member in good standing).

The Nominating committee reported they received two applicants for the two open positions on the Board. The nominees were:

Manuel Esquivel III  
Yolanda Lozano

MOTION by Andrea Cadena, second by Blake Kemmis to elect the nominees by acclamation. MOTION CARRIED.

## **CONCLUSION AND ADJOURNMENT**

Chairman Manuel Esquivel III concluded the business of the meeting.

MOTION by Andrea Cadena, second by Debra Garza to adjourn the meeting. MOTION CARRIED.

The meeting was adjourned at 6:12 p.m.

## **TREASURER'S REPORT**

Members First Credit Union was tested in 2020 and came through with flying colors both operationally and financially. Deposits grew 18.2% which is the largest deposit growth year we have ever had. Member deposits now total \$120,201,287. Loans funded during the year totaled \$24,950,992, the largest amount advanced in more than 10 years. Loans only grew 2.8%, however, as members paid down loans from increased liquidity and due to many refinancing their homes. Total assets ended the year at \$151,740,735, nearly a \$20M increase from last year.

Net income for the year was very positive at \$1,864,674 which translates to a capital contribution ratio of 1.17%. Both are more than double the levels seen from our peers. Net income benefited from fewer loan losses than normal and a net operating expense ratio of 1.23%. This represents a much lower level of expenses than our peer ratio of 2.31%.

With a continued high level of net income, we were able to maintain a strong capital position as reflected by a capital to asset ratio of 20.04%, the highest ratio among credit unions in our asset size. This reflects a high level of past performance and that we are positioned to handle any tough financial times that could lie ahead. It should also be noted that during the year a Supervisory Committee Audit was held by Harold Antao and Company LLC reviewing our accounting practices and records which resulted in no major concerns or findings.

Even though we had to have our lobbies closed for a portion of the year, we were always able to provide all our services electronically or through the drive thru lanes at all our locations. Member activity did not seem to be hindered by the pandemic with membership increasing to 12,074 members (up 1.5%). Other accounts with positive growth were share draft accounts up 3.0%, money market accounts 5.5%, check cards 2.6%, and credit cards 3.1%. As might be expected, services without personal contact experienced excellent growth with audio response up 24.2%, CU Online users 16.4%, and mobile app users 16.7%.

Our goal is to provide members with an extremely safe place to save. We also want to provide personal and responsive service that meets or exceeds member expectations. We believe we were successful in these areas in 2020 and want to thank our members for their loyalty and patience in such a challenging year. I also want to thank our directors for volunteering their time and efforts this past year. We look forward to an even brighter future and making a positive difference in their lives of our members.

Respectfully submitted,



Roman Almaguer Jr.  
Secretary/Treasurer

**MEMBERS FIRST CREDIT UNION**

**STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2020 AND 2019**

**ASSETS**

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 43,747,057	\$ 11,323,228
Investments	28,180,000	43,175,709
Loans to members, net	67,233,592	65,226,731
Accrued interest receivable	497,903	396,290
Property and equipment	4,735,642	4,835,425
National Credit Union Share Insurance Fund deposit	1,110,518	972,028
Other assets	6,236,023	4,743,449
<b>Total assets</b>	<b>\$ 151,740,735</b>	<b>\$ 130,672,860</b>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities

Members' shares	\$ 120,201,287	\$ 101,692,119
Accrued expenses and other liabilities	1,726,042	1,238,404
<b>Total liabilities</b>	121,927,329	102,930,523

Members' equity

Retained earnings, substantially restricted	30,444,579	28,579,905
Accumulated other comprehensive income (loss)	(631,173)	(837,568)
<b>Total members' equity</b>	29,813,406	27,742,337
<b>Total liabilities and members' equity</b>	<b>\$ 151,740,735</b>	<b>\$ 130,672,860</b>



**MEMBERS FIRST CREDIT UNION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>INTEREST INCOME</b>		
Interest on loans to members	\$ 3,392,565	\$ 3,416,886
Interest on investments and cash equivalents	824,937	1,193,375
<b>TOTAL INTEREST INCOME</b>	4,217,502	4,610,261
<b>INTEREST EXPENSE</b>		
Dividends on members' shares	420,608	481,401
<b>NET INTEREST INCOME</b>	3,796,894	4,128,860
<b>PROVISION FOR LOAN LOSSES</b>	41,815	186,303
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	3,755,079	3,942,557
<b>NON-INTEREST INCOME</b>		
Fees and Charges	1,426,479	1,437,105
Other non-interest income	1,200,894	1,137,954
<b>TOTAL NON-INTEREST INCOME</b>	2,627,373	2,575,059
<b>INCOME BEFORE GENERAL AND ADMINISTRATIVE EXPENSES</b>	6,382,452	6,517,616
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	2,175,020	2,314,999
Operations	1,731,619	1,622,899
Occupancy	464,017	471,709
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	4,370,656	4,409,607
<b>NET NON-OPERATING GAINS (LOSSES)</b>	(147,122)	7,500
<b>NET INCOME</b>	\$ 1,864,674	\$ 2,115,509

**MEMBERS FIRST CREDIT UNION  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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	Retained Earnings			Accumulated Other Comprehensive Income (Loss)
	Regular Reserve	Unappropriated	Total	
Balance, December 31, 2018	\$ 1,514,142	\$ 24,950,254	\$ 26,464,396	\$ (1,060,867)
Net income		2,115,509	2,115,509	
Net change in defined benefit Obligations				223,299
Balance, December 31, 2019	\$ 1,514,142	\$ 27,065,763	\$ 28,579,905	\$ (837,568)
Net income		1,864,674	1,864,674	
Net change in defined benefit obligations				223,299
Balance, December 31, 2020	<u>\$ 1,514,142</u>	<u>\$ 28,930,437</u>	<u>\$ 30,444,579</u>	<u>\$ (631,173)</u>

## **ELECTION RULES**

(printed in the October 2020 newsletter)

Members interested in running for a position on the Board of Directors must submit a completed “Director Application and Agreement to Serve” form. A credit history of the applicant and current standing with the credit union will also be reviewed as part of the approval process. All interested parties that receive approval by the Nominating Committee based on these criteria will be included as candidates for upcoming vacancies on the Board of Directors.

Any applicant that the Nominating Committee does not approve will be referred for review by the Board of Directors. These members may be selected if approved by the Board. Any applicant not selected will receive a written explanation describing the reason for disapproval. This information will also be communicated to the Credit Union Department. Interested parties must submit their application no later than December 15, 2020. No nominations will be accepted after this deadline and no nominations may be placed from the floor at the Annual Meeting.

These rules were established so that all candidates or potential Directors would be in good standing with the Credit Union, would be insurable for bonding purposes, and would receive approval from the Credit Union Department.